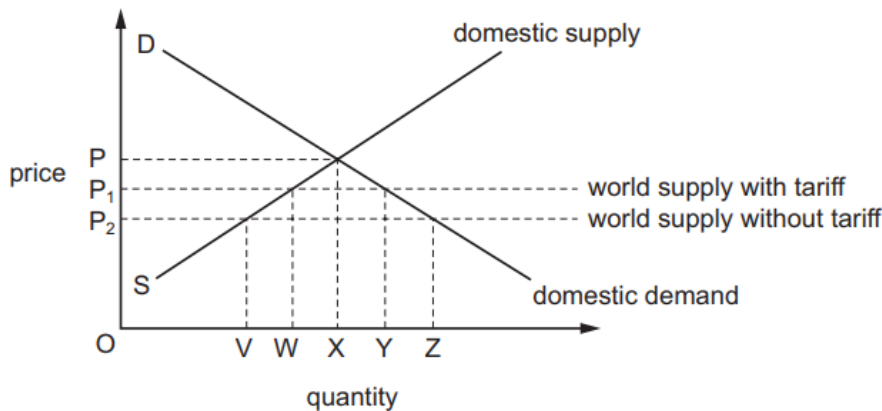




International Trade – MCQs

1) 9708/M16/12/Q27

A government removes the tariff on a product as shown in the diagram.



What will be the change in domestic production?

- A a reduction of WV
- B a reduction of XV
- C a reduction of XW
- D a reduction of ZY

2) 9708/S16/11/Q27

What is the main argument a government of a small country might use in times of a worsening worldwide recession to justify an increase in import tariffs and other trade protectionist policies?

- A to protect the country from a rise in domestic unemployment
- B to protect the country's terms of trade
- C to protect the domestic economy from increasing prices
- D to protect the domestic economy from the import of poor quality goods

3) 9708/S16/12/Q26

What is **not** associated with greater economic integration between countries?

- A increased financial flows
- B increased quotas
- C increased trade creation
- D increased trade diversion



4) 9708/S16/12/Q27

Which statement is **not** a valid justification for an import tariff?

- A A tariff will prevent imported inflation.
- B A tariff will prevent unfair foreign competition.
- C A tariff will protect a developing industry.
- D A tariff will protect an industry in decline.

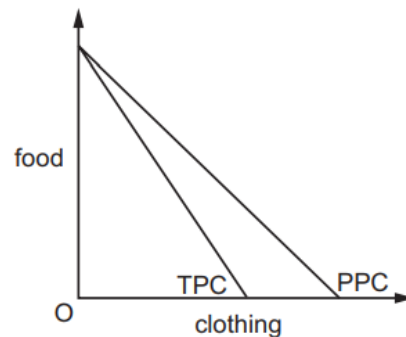
5) 9708/S16/13/Q27

Why might a government decide to increase the quota set on imports?

- A to cut a deficit on the trade balance in goods and services
- B to encourage diversification in home industry
- C to lower domestic unemployment
- D to raise the level of international trade

6) 9708/W16/11/Q27

The diagram shows an economy's production possibility curve, PPC, and trading possibility curve, TPC.



Why is the diagram **not** able to demonstrate the benefits of international trade?

- A It assumes there are no transport costs and no barriers to trade.
- B It deals with only two products.
- C The curves are drawn as straight lines.
- D The position of the curves does not support the existence of benefits.

7) 9708/W16/12/Q27

A government wants to use trade protection both to improve its trade performance and to raise government revenue.

Which policy will help it to achieve this?

- A raising quotas on imported goods
- B raising subsidies on exported goods
- C raising tariffs on exported goods
- D raising tariffs on imported goods



8) 9708/W16/13/Q27

An economy with a long history of extensive barriers to trade decides to switch to totally free trade.

What is most likely to increase in the short term?

- A consumer surplus
- B government revenue
- C inflationary pressure
- D profits of all domestic companies

9) 9708/M17/12/Q26

The US President signed a trade agreement which allowed more duty-free access to the US market for Latin American and Caribbean countries.

Who might benefit in the short run from this agreement?

- A Caribbean countries, because they may export to Latin America.
- B Latin American businesses, because they may be able to sell more in the US.
- C Latin American governments, because they will not have to pay so much duty.
- D The US, because it may export more to Latin America.

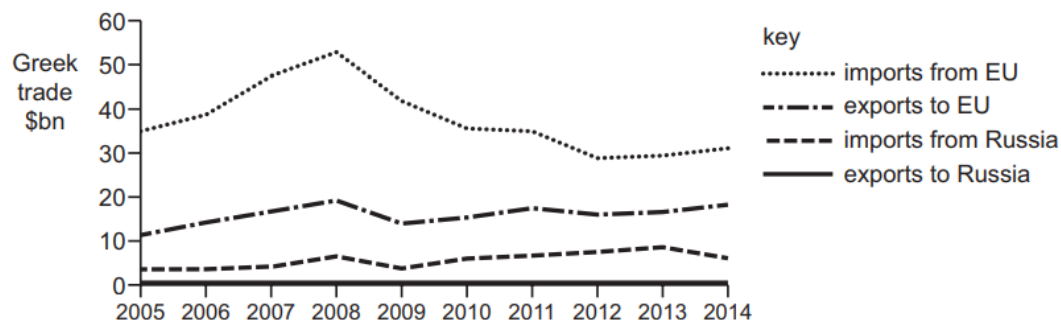
10) 9708/M17/12/Q27

Which statement is **not** a valid reason why a country may impose protectionist measures?

- A to allow a newly developed domestic industry to grow to a viable size
- B to enable a country to retain control of an industry it regards as being of strategic importance
- C to give consumers a wider choice of goods and services
- D to give time for workers in a declining domestic industry to find alternative employment

11) 9708/S17/11/Q22

The diagram shows Greece's trade position with the EU and Russia between 2005 and 2014.



What can be concluded about the period 2005 to 2014?

- A Greece's annual trade deficit with the EU rose continuously.
- B Greece's annual trade deficit with the EU was lower in 2014 than in 2005.
- C Greece's annual trade deficit with the EU fell continuously.
- D Greece's annual trade deficit with the EU was smaller than its deficit with Russia.

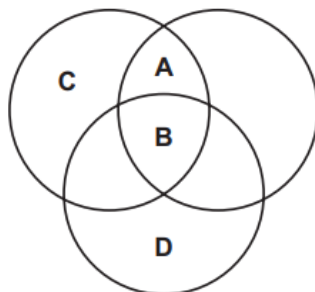


12) 9708/S17/11/Q26

Four countries, **A**, **B**, **C** and **D**, trade internationally.

Each circle in the diagram represents a free trade area between the countries within the circle. A country can belong to more than one free trade area. Countries outside of a circle face trade barriers.

Which country has the greatest opportunity to benefit from free international trade?



13) 9708/S17/11/Q27

A small trading country decides on a policy of import substitution by producing for itself.

What is the most likely reason for this policy?

- A** to follow the principle of absolute advantage
- B** to influence world prices in international markets
- C** to protect local industries from foreign competition
- D** to substitute imported machines for local labour

14) 9708/S17/12/Q22

The table gives information about the trade between Singapore and New Zealand during 2001, the first year after they signed a free trade agreement. The values are given both in Singapore dollars (S\$) and New Zealand dollars (NZ\$).

	S\$m	NZ\$m	percentage change from 2000
Singapore exports to New Zealand	508	618	+20%
Singapore imports from New Zealand	331	403	-17%

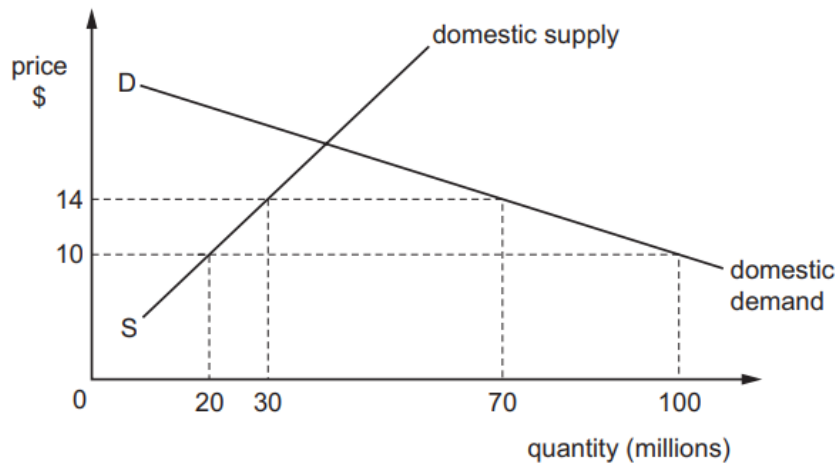
What can be concluded from the table?

- A** New Zealand gained more than Singapore from the trade agreement.
- B** New Zealand's trade position with Singapore improved in 2001.
- C** Singapore had a trade surplus with New Zealand in 2001.
- D** The exchange rate in 2001 was approximately NZ\$ 1 = S\$ 1.2.



15) 9708/S17/13/Q26

The diagram shows that the imposition of a tariff raises a good's world price from \$10 to \$14.



What was the effect on total expenditure on the good?

- A It fell by \$20 million
- B It fell by \$160 million
- C It rose by \$220 million
- D It rose by \$560 million

16) 9708/S17/13/Q27

Which government measure would reduce protectionism?

- A an increase in product safety standards
- B an increase in subsidies to domestic firms
- C an increase in the level of import quotas
- D an increase in the rate of import duties

17) 9708/W17/11/Q27

What is **not** an example of protectionism?

- A a ban on the imports of chicken products
- B import tariffs on agricultural products
- C maximum supermarket food prices
- D strict health and safety requirements



18) 9708/W17/12/Q25

Country X forms a customs union with country Y.

X then ceases to produce its own cars and instead imports cars from Y. Country Y diverts some of its car exports to X from country Z.

How is this likely to affect car prices in X and Z?

	country X	country Z
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

19) 9708/W17/12/Q27

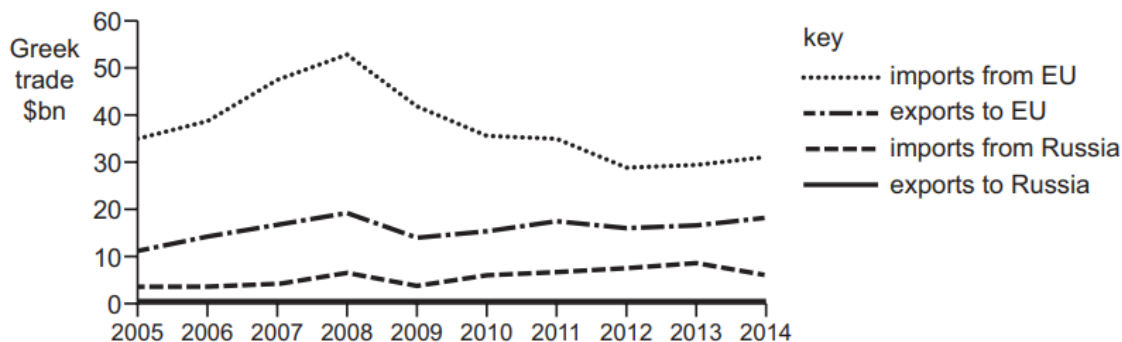
In 2014, Poland was the world's largest exporter of apples. 55% of the crop went to Russia. Then Russia banned the imports.

What would **not** have prevented the revenue of the Polish apple farmers falling dramatically?

- A** The apple farmers found new markets in other countries.
- B** The apple farmers were able to store the harvest for sale later.
- C** The Polish Government placed a ban on imports of food from Russia.
- D** The Polish Government established a scheme to buy apples and supply them to charities.

20) 9708/W17/13/Q22

The diagram shows Greece's trade position with the EU and Russia between 2005 and 2014.



What happened to Greek trade balances over this period?

	balance with the EU	balance with Russia
A	an increased deficit	an increased surplus
B	an increased surplus	a reduced surplus
C	a reduced deficit	an increased deficit
D	a reduced surplus	a reduced deficit



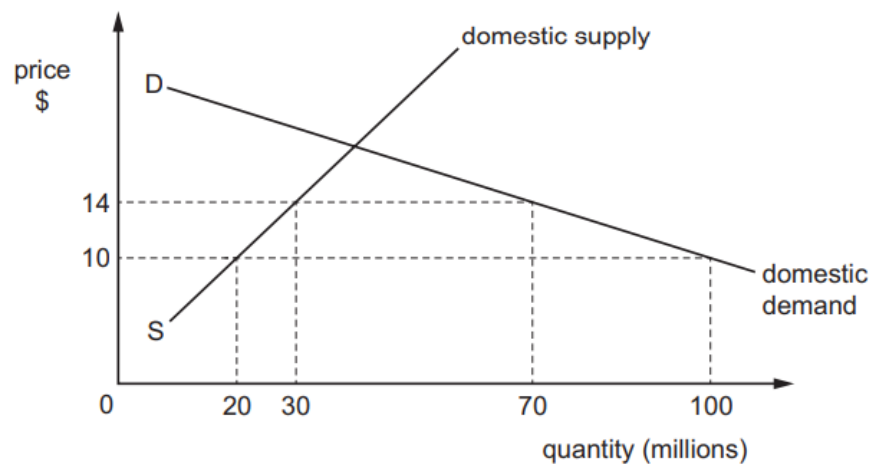
21) 9708/W17/13/Q25

What is the least likely outcome for participating countries of a move towards freer trade?

- A a greater product choice
- B a more equal distribution of income
- C greater international specialisation
- D higher standards of living

22) 9708/W17/13/Q26

The diagram shows that the imposition of a tariff raises a product's world price from \$10 to \$14.



What was the change in domestic producers' income as a result of the tariff?

- A It rose by \$120 million.
- B It rose by \$160 million.
- C It rose by \$220 million.
- D It rose by \$280 million.

23) 9708/W17/13/Q27

What is a disadvantage when a quota replaces a tariff to reduce imports?

- A It is harder to anticipate its impact.
- B It is less effective at raising revenue for the government.
- C It is less effective when imports are necessities.
- D It prevents any involvement of market forces.

**24) 9708/M18/12/Q26**

What is present in a customs union but **not** in a free trade area?

- A** a common external tariff with the rest of the world
- B** a common monetary system
- C** a common system of taxation
- D** the free movement of all goods, services and factors of production

25) 9708/M18/12/Q27

Which argument in favour of protectionism is **not** generally regarded as economically valid?

- A** It increases the standard of living of the population in general.
- B** It prevents heavily-subsidised imports from competing unfairly against domestic goods.
- C** It provides time for the protected industry's workers to be retrained for other work.
- D** Once the protected industry becomes established, it will produce efficiently.

26) 9708/S18/11/Q27

The demand for a country's exports is price-elastic.

What will be the effect of introducing export subsidies on its balance of trade and on its terms of trade?

	balance of trade	terms of trade
A	improve	improve
B	improve	worsen
C	worsen	improve
D	worsen	worsen

27) 9708/S18/12/Q26

What is the difference between a customs union and a free trade area?

- A** Only the customs union has a common external tariff with the rest of the world.
- B** Only the customs union requires fixed exchange rates between member countries.
- C** Only the free trade area needs to eliminate tariffs between member countries.
- D** Only the free trade area requires freedom of movement for labour and capital between member countries.

28) 9708/S18/12/Q27

Which statement about trade protection is correct?

- A** A tariff will result in a greater decrease in demand for an import the lower its price elasticity of demand is.
- B** Embargoes are only an effective trade barrier against imports in price-elastic demand.
- C** Export subsidies to domestic firms will prevent the dumping of foreign products in the domestic market.
- D** Quotas are less effective than tariffs for raising government revenue.

**29) 9708/S18/13/Q25**

A particular good in the Barbados market could be supplied by domestic producers, or producers in Trinidad and Tobago, or producers in the United States (US), at the prices shown in US dollars.

origin of production	price
Barbados	\$1.00
Trinidad and Tobago	\$0.85
US	\$0.75

Originally, Barbados had a 20% ad valorem duty on imports from Trinidad and Tobago and the US.

Barbados then formed a customs union with Trinidad and Tobago, with a common external tariff, also of 20%.

From which countries would Barbados import the good, before the formation of the customs union and after the formation of the customs union?

	before	after
A	neither	Trinidad and Tobago
B	neither	US
C	US	Trinidad and Tobago
D	US	US

30) 9708/S18/13/Q26

What would reduce an economy's protection against the import of cars?

- A** a higher quota of imported cars
- B** a higher subsidy for domestic car producers
- C** a higher tariff on imported cars
- D** a lower exchange rate

31) 9708/S18/13/Q29

If an economy experiences a persistent balance of trade deficit, it may choose to place tariffs on imports of manufactured goods.

When might the use of tariffs solve a balance of trade deficit in the long term?

- A** when an economy imports a sustainable amount of raw materials
- B** when an economy is experiencing a high rate of inflation
- C** when the demand for imports is inelastic
- D** when the supply of domestically produced goods is elastic

**32) 9708/W18/11/Q26**

Which action increases and which action decreases the level of protectionism?

	increases protectionism	decreases protectionism
A	imposing an embargo	reducing subsidies to domestic producers
B	imposing exchange controls	lowering quota levels
C	introducing voluntary export agreements	increasing subsidies to domestic producers
D	removing quotas	introducing embargos

33) 9708/W18/11/Q27

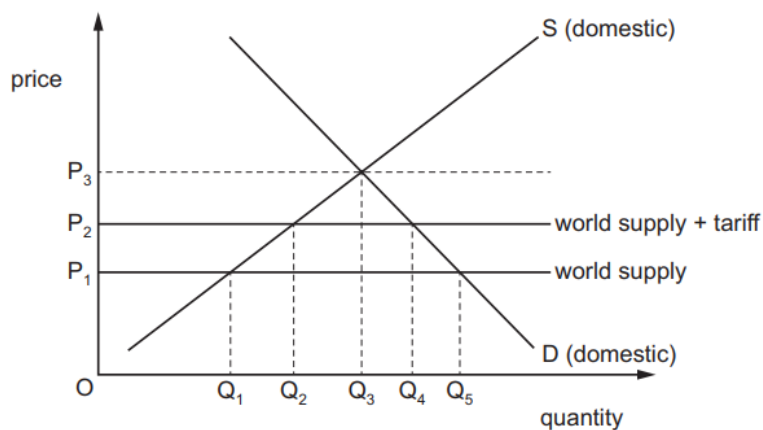
Country M imposes a tariff on imports of steel.

Which price elasticity values will result in the smallest reduction in steel imports into M?

	price elasticity of supply of domestic steel producers in country M	price elasticity of demand for steel in country M
A	0.2	0.4
B	1.0	0.8
C	1.5	1.0
D	2.0	1.2

34) 9708/W18/12/Q27

The diagram shows the domestic and world demand and supply for a good.



The government imposes a tariff on imports of the good.

What will happen to the quantity imported?

- A** It will fall from Q_1Q_3 to Q_2Q_3 .
- B** It will fall from Q_1Q_5 to Q_2Q_4 .
- C** It will fall from Q_2Q_5 to Q_3Q_4 .
- D** It will fall from OQ_5 to OQ_4 .



35) 9708/W18/13/Q26

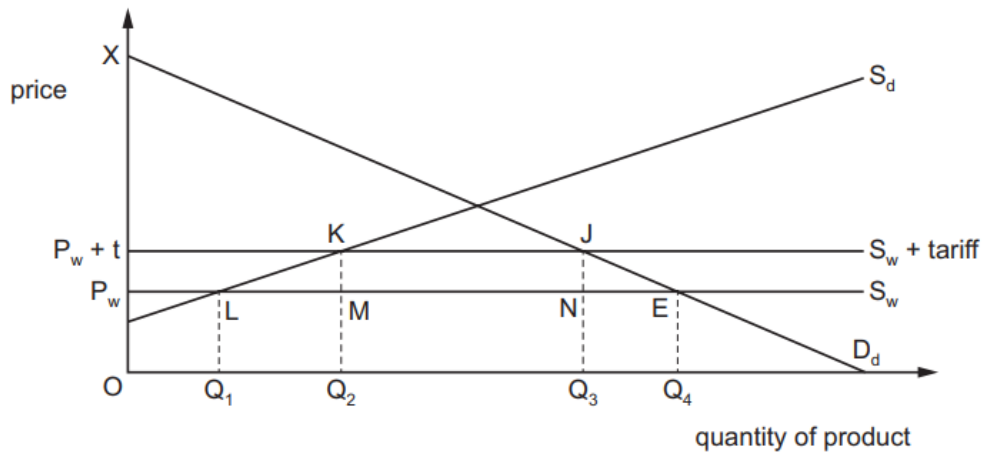
What is a characteristic of a customs union but **not** of a free trade area?

- A a common external tariff
- B a common tariff between member countries
- C fixed exchange rates between member countries
- D the abolition of all tariffs between member countries

36) 9708/W18/13/Q27

In the diagram, D_d and S_d represent the domestic demand and supply curves for a product. S_w represents world supply of the product when there is free trade, at a world price of P_w . The initial domestic market equilibrium level of consumption of the product is at E.

If a tariff of t were to be imposed, world supply would now be represented by $S_w + \text{tariff}$, at a price of $P_w + t$.



What would be the level of domestic production and the total of government revenue from tariffs after the tariff of t were imposed?

	level of domestic production	total level of revenue from tariffs
A	OQ_2	JKMN
B	OQ_2	OQ_2MP_w
C	Q_1Q_2	EJKL
D	Q_2Q_3	$KLM + JNE$



37) 9708/M19/12/Q24

Two countries trade with one another without any forms of protection. They also impose a common external tariff on the imports from all other countries.

What have these two countries formed?

- A a customs union
- B a free trade area
- C a monetary union
- D an economic union

38) 9708/S19/11/Q23

Industrialised countries X and Y trade with each other. Country X imposes a general tariff of 20% on imports from country Y.

In which circumstances would the imposition of the tariff be **unfavourable** to country X?

- A if country X is seeking to protect its infant industries
- B if country X lacks the capacity to produce import substitutes
- C if imports from country Y have been dumped in country X
- D if imports of manufactured goods from country Y are price elastic

39) 9708/S19/12/Q22

A country decides to remove all its tariffs and engage in free international trade.

What will be the final decision the country has to make before free trade takes place?

- A deciding which resources to allocate to the production of goods and services for international trade
- B deciding which goods and services should be provided for international trade
- C identifying the opportunity costs of production of goods and services which might be used for international trade
- D setting an appropriate exchange rate for the international trade of goods and services

40) 9708/S19/13/Q24

Country X joins a customs union with country Y and will remove the tariff on its imports of good M from country Y.

Under which conditions will trade creation in country X be the smallest?

	existing size of country X's tariff on imports of good M	price elasticity of demand for good M in country X
A	large	-0.8
B	large	-1.4
C	small	-0.8
D	small	-1.4



41) 9708/W19/11/Q19

When will the imposition of a tariff by a country on the goods and services of its major trading partners reduce the country's expenditure on imports?

- A when the income elasticity of demand for imports is greater than 1
- B when the price elasticity of demand for imports is greater than 1
- C when the price elasticity of demand for imports is less than 1
- D when the price elasticity of supply of imports is greater than 1

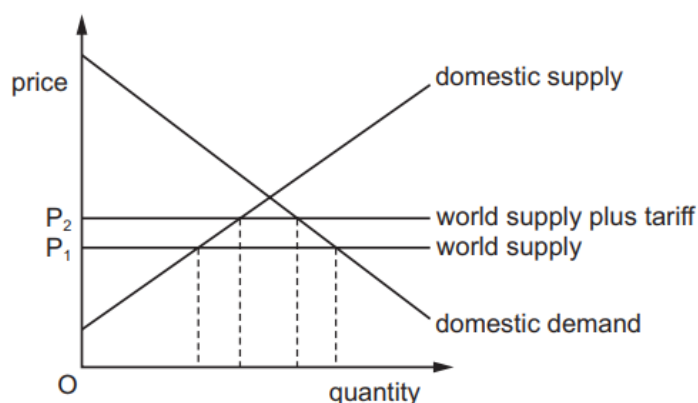
42) 9708/W19/12/Q21

What is **not** an example of protectionism?

- A the European Union (EU) requiring goods imported into member states to meet safety standards
- B the Pakistan government increasing the rate of goods and services tax, GST, on some exported goods from 2% to 5%
- C the Nigeria government banning the import of packaged sugar
- D the US imposing a 35% tariff on tyres imported from China

43) 9708/W19/13/Q22

The diagram shows the effect of a tariff on a product.



From this diagram, what determines the gain the tariff generates for domestic producers?

- A the price elasticities of domestic supply and demand
- B the tariff rate and the price elasticities of both domestic demand and supply
- C the tariff rate and the price elasticity of domestic demand
- D the tariff rate and the price elasticity of domestic supply

**44) 9708/W19/13/Q23**

The European Union consists of a group of countries with free trade between its members and a common external tariff on trade with non-members.

What would weaken the operation of this customs union?

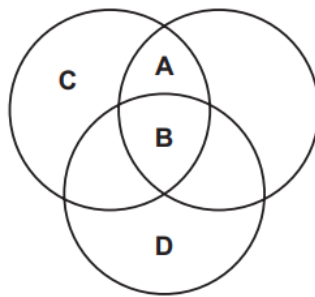
- A** devaluation of any member's currency
- B** differences in wage costs between members
- C** entry tests for seasonal migrant workers
- D** one member country agreeing a trade deal with a non-member country

45) 9708/M20/12/Q21

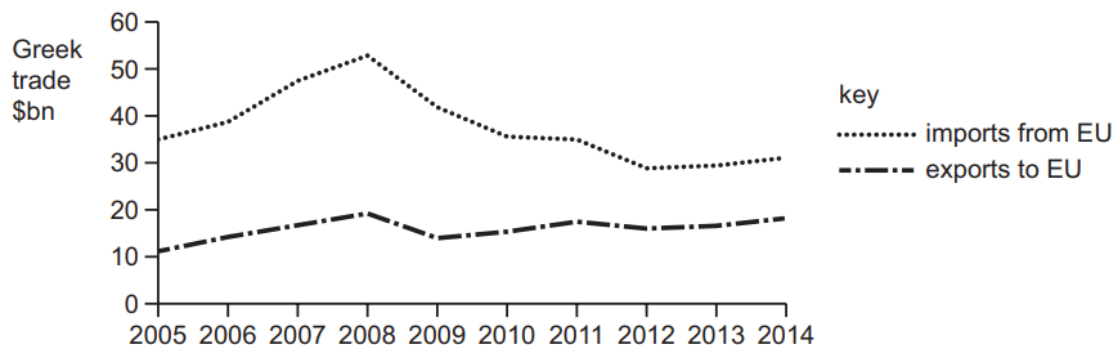
Four countries, **A**, **B**, **C** and **D**, trade internationally.

Each circle in the diagram represents a free trade area between the countries within the circle. A country can belong to more than one free trade area. Countries outside of a circle face trade barriers.

Which country has the greatest opportunity to benefit from free international trade?

**46) 9708/M20/12/Q22**

The diagram shows Greece's trade position with the EU between 2005 and 2014.



How does the Greek trade balance with the EU differ in 2014 compared to 2005?

- A** an increased deficit
- B** an increased surplus
- C** a reduced deficit
- D** a reduced surplus



47) 9708/S20/11/Q24

What is **not** an example of protectionism?

- A export subsidies
- B import subsidies
- C quotas
- D tariffs

48) 9708/S20/12/Q22

Which argument is an importer **most** likely to use to gain the support of consumers for free trade?

- A More imports allow the government to raise revenue from tariffs.
- B More imports improve the country's terms of trade.
- C More imports increase competition in the domestic economy.
- D More imports raise total employment in the domestic economy.

49) 9708/S20/12/Q26

The statements that follow relate to possible gains from an increase in free trade.

Which gain is **least** certain to result in the short run?

- A a reduction in costs of production
- B a rise in the number of jobs
- C a wider choice of goods available to consumers
- D an increase in the level of competition

50) 9708/S20/13/Q26

An economy with a long history of extensive barriers to trade decides to switch to totally free trade.

What is most likely to increase in the short term?

- A consumer surplus
- B government revenue
- C inflationary pressure
- D profits of all domestic companies

51) 9708/W20/12/Q20

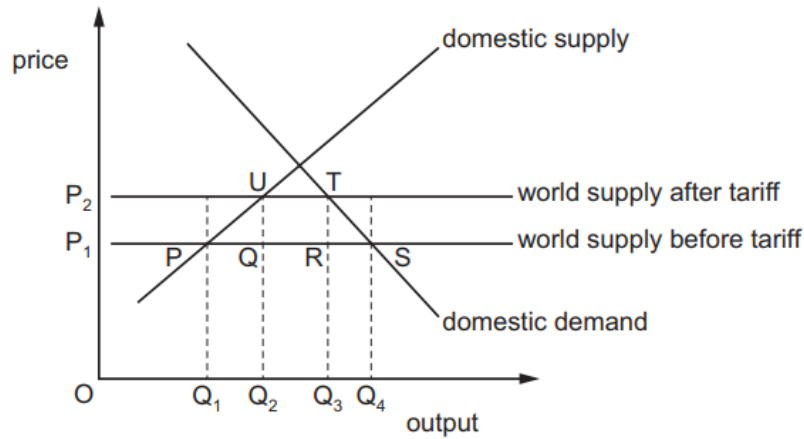
In which economic context is the term 'protectionism' usually applied?

- A the protection of consumers against excessive prices
- B the protection of employees against exploitation by multinational companies
- C the protection of local producers against foreign competitors
- D the protection of the foreign exchange rate against currency speculators



52) 9708/W20/11/Q25

The diagram shows the imposition of a tariff on imports.

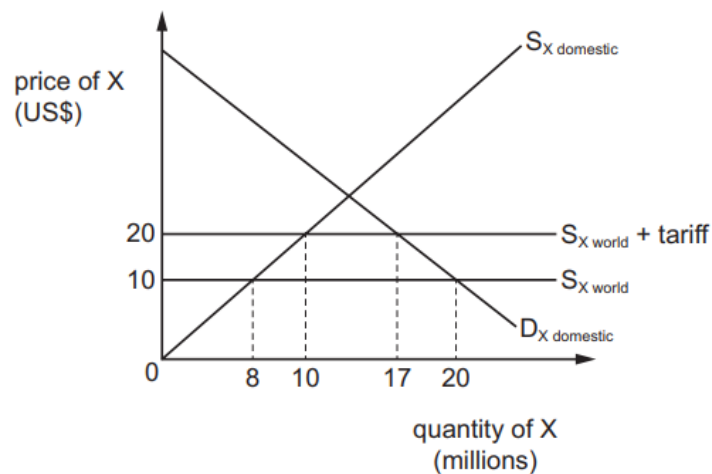


Which set of values is correct?

	imports before tariff	imports after tariff	tax revenue
A	OQ ₄	OQ ₃	PUTS
B	OQ ₄	OQ ₃	QUTR
C	Q ₁ Q ₄	Q ₂ Q ₃	PUTS
D	Q ₁ Q ₄	Q ₂ Q ₃	QUTR

53) 9708/M21/12/Q24

The diagram shows the effect of removing a tariff on imports of good X into country Y.



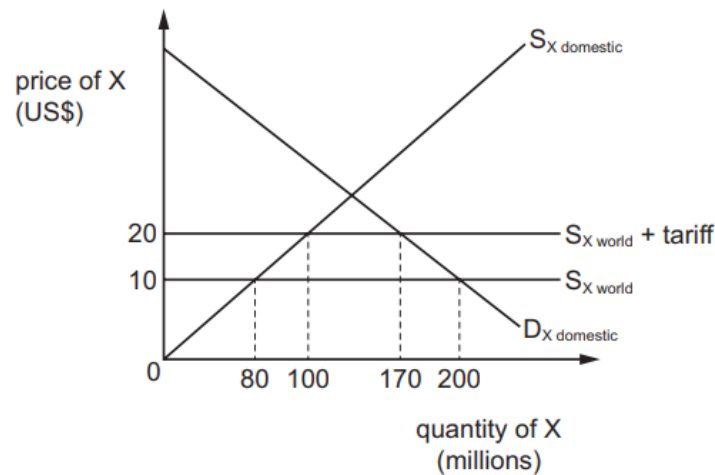
What is the volume, in million units, of the **extra** international trade created by removing the tariff?

- A** 3 **B** 5 **C** 10 **D** 12



54) 9708/S21/12/Q25

The diagram shows the effect of the introduction of a tariff on good X by country Y.



What is the revenue, in US\$ million, received by producers of good X in country Y after the tariff is introduced?

- A** 400 **B** 800 **C** 1000 **D** 2000

55) 9708/S21/13/Q20

What is **not** an aim of protectionism?

- A** to improve balance of trade
B to increase price of exports
C to protect infant industries
D to reduce the volume of imports

56) 9708/S21/13/Q23

What may increase the benefits a country gains from international trade?

- A** a reduction in transportation costs because of a fall in world oil prices
B domestic wage rates increase at a faster rate than output per worker
C the domestic labour force becomes more occupationally immobile
D trading partners increase tariffs on imported goods

57) 9708/S21/13/Q26

Which statement about trade protection is correct?

- A** A tariff results in a greater decrease in demand for an import the lower is its price elasticity of demand.
B Embargoes are only an effective trade barrier when the demand for imports is price-elastic.
C Export subsidies to domestic firms will prevent the dumping of foreign products in the domestic market.
D Quotas are less effective than tariffs for raising government revenue.



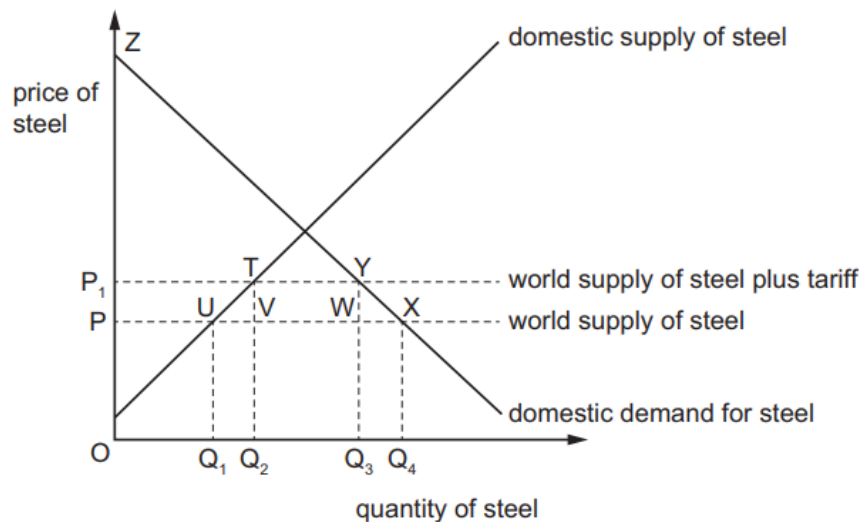
58) 9708/W21/12/Q22

Which argument for protection would be most relevant if the government of country X decided to exercise voluntary export restraint in its trade with country Y?

- A Voluntary export restraint would achieve an immediate correction for X's balance of trade deficit.
- B Voluntary export restraint would cause the level of GDP to increase in country X.
- C Voluntary export restraint would help to negotiate improved trading conditions between X and Y.
- D Voluntary export restraint would help to reduce the level of unemployment in country X.

59) 9708/W21/12/Q27

The diagram shows the effect of the United States (US) imposing a tariff on the import of steel in 2018.



Which statement about the impact of the tariff is correct?

- A Consumer surplus falls from P_1TO to PUO .
- B Domestic output increases from OQ_1 to OQ_3 .
- C Imports fall from Q_1Q_4 to Q_2Q_3 .
- D The tax revenue raised on imports is P_1YWP .

60) 9708/W21/13/Q22

A government decides to increase a quota on an imported good.

What is likely to happen?

- A The demand for the good will fall.
- B The good will become more expensive.
- C The government's revenue will decline.
- D There will be more of the good imported.

**61) 9708/W21/13/Q24**

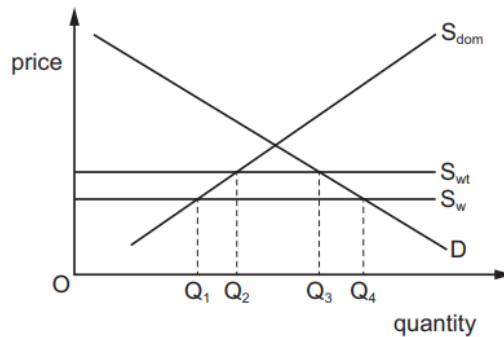
Country X places a tariff of 20% on steel products imported from country Y. Country Y retaliates with a 20% tariff on computers imported from country X.

What is a certain economic consequence of these actions?

- A** The balance of payments of country X and country Y will remain unchanged.
- B** The exchange rate value on which trade between the two countries is based will be maintained.
- C** The profits and employment of domestic firms in both countries will be preserved.
- D** The volume of bilateral trade between country X and country Y will be reduced.

62) 9708/W21/13/Q26

The diagram shows the effects of the imposition of a tariff on an internationally-traded good. S_{dom} is the supply and D the demand in country R. S_w is the world supply curve of the product and S_{wt} is the world supply curve after the imposition of a tariff by country R.



Which combination describes the effect on domestic supply of and demand for the good in country R after the imposition of the tariff?

	demand	domestic supply
A	falls	falls
B	falls	rises
C	rises	falls
D	rises	rises

63) 9708/M22/12/Q20

A government removes its quota on imported laptops.

Assuming a normal demand curve and upward-sloping supply curve for laptops, what are the likely effects on domestic laptop manufacturers?

	change in price received by domestic manufacturers	change in income received by domestic manufacturers
A	decrease	decrease
B	increase	increase
C	decrease	uncertain
D	increase	uncertain



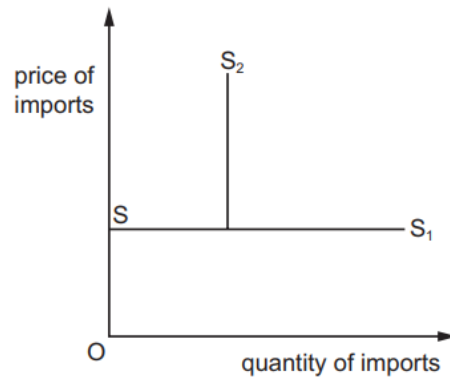
64) 9708/M22/12/Q26

What is **not** a form of protectionism?

- A embargoes
- B increase in sales tax (VAT)
- C subsidies on goods for export
- D voluntary export restraints

65) 9708/S22/11/Q21

The diagram shows the change in the supply curve of imports, $S-S_1$ to curve $S-S_2$, after the introduction by the government of a trade protection measure.



What is the form of protection?

- A an *ad valorem* tariff
- B an embargo
- C a quota
- D a specific tariff

66) 9708/S22/11/Q23

Why might a country's government impose a tax on fuel exports?

- A to encourage domestic refineries to increase production
- B to improve the country's trade balance
- C to reduce fuel prices for domestic consumers
- D to reduce the government's budget surplus

67) 9708/S22/12/Q25

A small country imposes no tariffs and has a perfectly elastic supply of smartphones from the rest of the world.

Which statement is correct after the imposition of a tariff?

- A The domestic demand for smartphones will rise.
- B The domestic price of smartphones will rise.
- C The government will lose tax revenue.
- D The supply of imports will increase.



68) 9708/S22/12/Q26

In a recent year, Japanese car manufacturers agreed to limit exports of cars to the USA.

Which form of protectionism is this?

- A an embargo
- B an export subsidy
- C a quota
- D voluntary export restraint

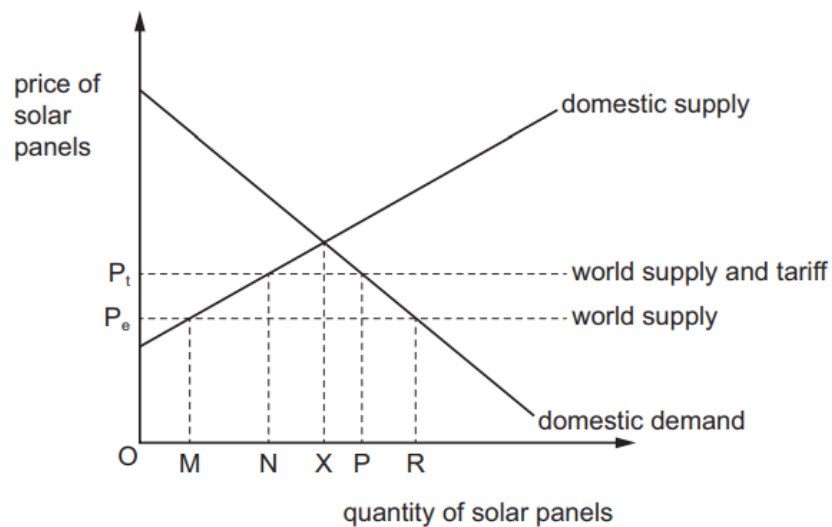
69) 9708/S22/14/Q20

Which statement correctly describes how an import quota works?

- A It is a ban on the import of demerit goods.
- B It imposes strict product regulations on imports.
- C It is a unit tax that raises the price of imported goods.
- D It limits the quantity of certain imported goods.

70) 9708/W22/11/Q21

The diagram shows the demand and supply curves for solar panels in the US. In 2018, the US put a tariff on imported solar panels.



What is the quantity of imported solar panels after the imposition of the tariff?

- A MN
- B MX
- C NP
- D XP



71) 9708/W22/12/Q23

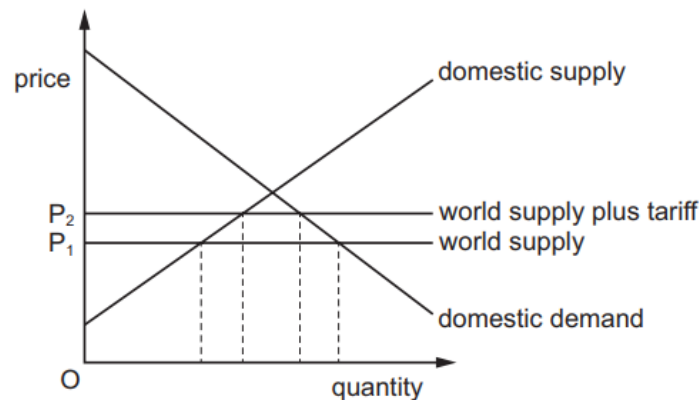
Country X joins a customs union with country Y and will remove the tariff on its imports of good M from country Y.

Under which conditions will trade creation in country X be the largest?

	existing size of country X's tariff on imports of good M	price elasticity of demand for good M in country X
A	large	-0.8
B	large	-1.4
C	small	-0.8
D	small	-1.4

72) 9708/W22/12/Q27

The diagram shows the effect of introducing a tariff on a product.



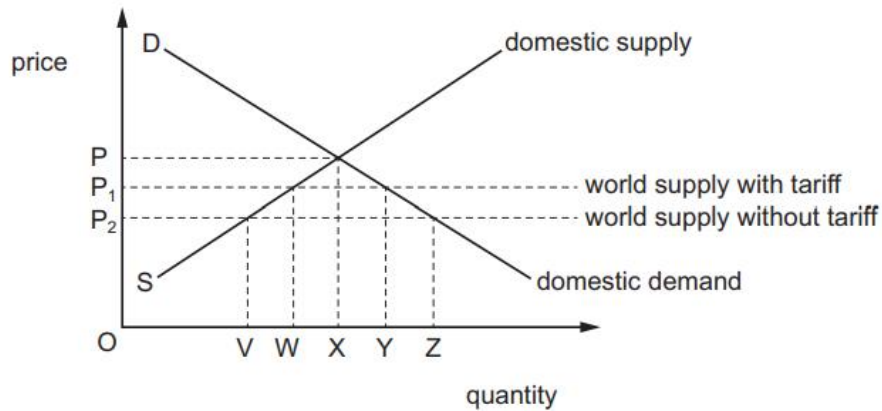
What determines the producer surplus that the tariff generates for domestic producers?

- A** the price elasticities of domestic supply and demand
- B** the tariff rate and the price elasticities of both domestic demand and supply
- C** the tariff rate and the price elasticity of domestic demand
- D** the tariff rate and the price elasticity of domestic supply



73) 9708/W22/13/Q20

A government removes the tariff on a product, as shown.



What will be the change in domestic production?

- A** a reduction of WV
- B** a reduction of XV
- C** a reduction of XW
- D** a reduction of ZY



Q.No	Answer	Q.No	Answer	Q.No	Answer
1	A	31	D	61	D
2	A	32	A	62	B
3	B	33	A	63	A
4	A	34	B	64	B
5	D	35	A	65	C
6	D	36	A	66	C
7	D	37	A	67	B
8	A	38	A	68	D
9	C	39	D	69	D
10	B	40	C	70	C
11	B	41	B	71	B
12	B	42	B	72	D
13	C	43	D	73	A
14	C	44	D		
15	A	45	B		
16	C	46	C		
17	C	47	B		
18	B	48	C		
19	C	49	B		
20	C	50	A		
21	B	51	C		
22	C	52	D		
23	B	53	B		
24	A	54	D		
25	A	55	B		
26	B	56	A		
27	A	57	D		
28	D	58	C		
29	C	59	C		
30	A	60	D		